

Upon motion made and seconded, it was

RESOLVED, that the 2001 Incentive Plan for CareFirst, Inc., CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc. is approved as recommended.

At this point, several representatives of Credit Suisse First Boston (CSFB), the Company's investment banking firm, provided a report to the Board regarding potential geographic expansion alternatives, through the use of a handout which is made a part of these minutes.

Mr. McMullan, of CFSB, summarized the continued managed care industry evolution in which the industry focus has shifted from growth to profitability. He noted that consolidation trends continue and summarized major consolidations over the last several years. He stressed that key advantages of increased scale include access to capital, administrative efficiencies, contracting leverage and the ability to spread risk. He informed the Board that local and Blues consolidations are also accelerating and summarized recent Blue Plan activities. He informed the Board that it is CSFB's opinion that in a consolidating and financially strong market, CareFirst requires scale and access to capital. He summarized the capital requirements that the Company has and the sources the Company could use to obtain such capital. He concluded that without undertaking a conversion, the Company's capital sources are limited to internally generated free cash flow and external debt financing, which can satisfy only a portion of the Company's future capital needs. CareFirst would be unable to fund approximately \$387-627 million of its budgeted capital expenditures. This has lead CSFB to conclude that CareFirst must act now to ensure control of its destiny and access to capital for future growth.

Mr. McMullan then summarized the three strategic alternatives, which had previously been reviewed with the Board and the Strategic Planning Committee. CSFB has concluded that a strategic merger creates the greatest long-term opportunity for growth.

Mr. McMullan then reviewed the list of potential partners on multiple criteria that CSFB had considered. He specifically highlighted the evaluation of four potential partners and described in detail for the Board CSFB's view of each of those partners for each of those criteria.

It is CSFB's opinion that the Company should continue to entertain Trigon as a primary partnership candidate, but needs to expand its analysis and review to include WellPoint and Anthem as potential partners. CSFB also believes that Highmark should continue to be considered but only as a secondary candidate.

At this point, Mr. Shivery reviewed the very successful capital accumulation that has occurred over the last seven years. This accumulation has made the Company strong in negotiations with other Blue Plans. However, the capital needs going forward are such

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that a major undertaking would seem to be the only way to achieve them. He then reviewed the extensive discussions that have occurred in the Strategic Planning Committee and at the Board level over the last year. He stressed that the Board is beginning the process of evaluating specific alternatives and that the CSFB recommendation is a first-step in the final discussion process. If and when a specific proposal exists, a special Board meeting will be called to consider management and CSFB's recommendation.

At the Chairman's request, Mr. Jews then summarized the basic principles that management believes are necessary in any consideration of a potential partner. The first of those is is there a strategic fit with the partner? Also, is there a strong on-going business case, which results in increased service to our customers and the availability of improved products? The creation of a sufficient economic benefit for the jurisdictions in which the Companies operate be derived from the transaction is also crucial. Finally, is the transaction doable? The results of such a transaction should provide market share growth, profitability consistent with the competition, access to capital for investments in technology and acquisition and increased service to our customers. A crucial element in any consideration must be the affect on our associates, particularly in providing them with increased opportunity.

Finally, Mr. Jews stated that while price must be an element in management's consideration, it would not, on its own, be determinative since there are multiple other issues that need to be considered.

The meeting concluded with the Board agreeing to the recommendations of CSFB to continue negotiations with several potential partners.



John A. Picciotto
Corporate Secretary

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